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CANADA CRUSHED & CUT STONE LIMITED  
ANNUAL REPORT  
1968





## DIRECTORS

J. C. BURD	-	-	-	-	-	-	-	-	Niagara Falls, Ontario
G. W. HEALEY	-	-	-	-	-	-	-	-	Toronto, Ontario
D. H. HENDERSON	-	-	-	-	-	-	-	-	Hamilton, Ontario
N. M. PEECH	-	-	-	-	-	-	-	-	Workshop, Notts, England
C. G. PIRIE	-	-	-	-	-	-	-	-	Hamilton, Ontario
†N. P. PITT	-	-	-	-	-	-	-	-	Montreal, Quebec
J. B. ROTHWELL	-	-	-	-	-	-	-	-	Burlington, Ontario
E. H. SANCTON, B.Eng.	-	-	-	-	-	-	-	-	Burlington, Ontario
J. S. SPEARING, C.A.	-	-	-	-	-	-	-	-	Ancaster, Ontario
W. STOCKS, M.B.E.	-	-	-	-	-	-	-	-	Workshop, Notts, England
† Deceased									

## OFFICERS

N. M. PEECH	-	-	-	-	-	-	-	Chairman of the Board
D. H. HENDERSON	-	-	-	-	-	-	-	President
J. S. SPEARING, C.A.	-	-	-	-	-	-	-	Executive Vice-President
D. E. STEELE	-	-	-	-	-	-	-	Secretary-Treasurer
W. A. BRUNNER	-	-	-	-	-	-	-	Assistant Secretary-Treasurer

## REGISTRAR and TRANSFER AGENT

National Trust Company Limited	-	-	-	-	-	Toronto, Ontario
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## AUDITORS

McDonald, Currie & Co.

# CANADA CRUSHED & CUT STONE LIMITED AND SUBSIDIARIES

## REPORT TO THE SHAREHOLDERS

Your Directors take pleasure in presenting the Eighteenth Annual Report of the Company together with the Consolidated Financial Statements for the year ended December 31st, 1968.

### Group Activities

The year 1968 has been one of growth and progress for your Company with improved sales and earnings in our mineral extraction and processing operations.

Further expansion of the Company's interests took place with the acquisition of a new subsidiary, Vallance, Brown & Co. Limited, a major distributor with seven branch depots in Ontario covering a wide range of industrial and electrical supplies to industry and the construction trades. As previously reported, a controlling interest in this Company was acquired in April, 1968, through the cash purchase of 75% of the outstanding common shares. The trading results since acquisition have been satisfactory and an increasing contribution to consolidated profits is anticipated from this source.

Sales of stone and asphalt were well maintained at both the Dundas and Queenston quarries, with the latter securing a substantial armour stone order for the Ontario Hydro power project at Nanticoke, Ontario. Indications point to a lower demand for building stone and somewhat reduced sales of crushed stone at Queenston for 1969. However, sales at Dundas should continue at a satisfactory level.

The Ritchie Cut Stone Company Limited ceased stone fabricating operations as of November 15th, 1968, and the land and buildings were turned over to Anaconda American Brass Ltd., in accordance with the terms of an agreement of sale made in 1966. Supplies of building stone in block and partially fabricated form will continue to be made available for sale to independent cut stone fabricators from our Queenston quarry operations.

Mills Steel Products Limited experienced a slow start in the early months of the year but sales subsequently improved and a 10% increase over 1967 was secured by the year end. A new Toronto depot at 256 Attwell Drive was opened in December, replacing the Dufferin Street warehouse. This modern and strategically located depot will allow the Company to compete more aggressively in the large and expanding Toronto market.

In order to simplify the corporate structure The Ritchie Cut Stone Company Limited has been amalgamated with National Cut Stone Limited and Drummond & Reeves Limited and under Letters Patent becomes a holding company, Ritchie Cut Stone Holdings Limited.

National Slag Limited, in which your Company holds a one-third interest, had a satisfactory year and paid a dividend on the common stock.



## Financial

The consolidated earnings before income taxes and minority interest were \$1,737,579 compared with \$983,489 in 1967. Net profit after taxes was \$796,958 compared with \$542,073 in 1967.

Sales and earnings of Vallance, Brown & Co. Limited, from April 19th, 1968, and its assets and liabilities at December 31st, 1968, have been included in the consolidated 1968 figures. The 1967 comparative figures do not include the assets and liabilities or results of operations of this subsidiary, and the large increase in consolidated sales and working capital reflects its acquisition.

You will also note a simplification of the balance sheet through the elimination of two items in the shareholders' equity section, details of which are covered in the auditors' notes.

## Dividends

Quarterly dividends of 30c per share were paid during the year for a total of \$1.20 per share. A dividend of 30c per share has been declared for the first quarter of 1969, payable March 14th, to shareholders on record February 21st, 1969.

## Board of Directors and Management

With sincere regret we record the loss of two of our Directors—Mr. N. P. Pitt who died on November 5th, 1968, and Mr. G. G. Ryan who retired from the Board in June. The vacancies on the Board have been filled by Mr. C. G. Pirie, President, Vallance, Brown & Co. Limited, elected July 18th, 1968, and by Mr. L. R. Dowsett, Managing Director, The Steetley Company Limited, elected February 7th, 1969.

It is also greatly regretted that, due to their retirement from the Company's service for health reasons, Mr. J. B. Rothwell and Mr. G. W. Healey are not standing for re-election.

It has been deemed expedient to consider a reduction in the size of the Board, and the shareholders are being asked to approve a decrease from ten Directors to eight Directors.

With emphasis on the expansion of our business Mr. J. S. Spearing was appointed Executive Vice-President as of February 1st, 1968.

## Appreciation

It is a pleasure to express the appreciation of the Directors to all employees for their continued high standard of service throughout the year.

## Prospects

In the view of most economists, the Canadian economy is entering another year of growth and prosperity and the construction industry appears to be heading for a year of high volume, particularly in Toronto and Hamilton which are areas of major importance to the Company. We therefore expect to achieve satisfactory sales and earnings in 1969.

Further expansion through suitable acquisitions continues to be the policy of your Directors.

On behalf of the Board of Directors.

Hamilton, Ontario,  
February 20, 1969.

D. H. HENDERSON,  
President.

# CANADA CRUSHED & AND SUB

## CONSOLIDATED BALANCE SH

### ASSETS

	December 31	
	<u>1968</u>	<u>1967</u>
<b>CURRENT ASSETS</b>		
Cash .....	\$ 48,037	\$ 288,410
Short-term investments—at cost .....	2,540,867	1,828,556
(quoted market value 1968—\$2,546,738; 1967—\$1,855,316)		
Accounts receivable .....	2,782,243	1,644,476
Accounts receivable—parent company .....	25,772	15,708
Inventories—at the lower of cost or net realizable value .....	2,458,935	1,306,216
Prepaid expenses .....	51,391	54,677
	<u>\$ 7,907,245</u>	<u>\$ 5,138,043</u>
<b>DEFERRED CHARGES AND OTHER ASSETS</b>		
5% Special refundable tax .....	\$ 35,549	\$ 51,059
Cash surrender value of life insurance .....	54,839	—
Investment in National Slag Limited shares .....	12,500	12,500
8% Mortgages receivable .....	132,701	—
Scaffold equipment—at cost, less amounts written off .....	219,881	217,401
	<u>\$ 455,470</u>	<u>\$ 280,960</u>
<b>FIXED ASSETS (Note 2) .....</b>	<u><b>\$ 2,864,238</b></u>	<u><b>\$ 2,684,778</b></u>
<b>APPROVED ON BEHALF OF THE BOARD,</b>	<u><b>\$11,226,953</b></u>	<u><b>\$ 8,103,781</b></u>
D. H. HENDERSON, <i>Director</i>		
J. S. SPEARING, <i>Director</i>		

### AUDITORS' REPORT

We have examined the consolidated balance sheet of Canada Crushed & Sub, the consolidated statements of earnings, surplus and source and use of funds, and the accounting procedures and such tests of accounting records and internal controls as we considered necessary.

In our opinion, these consolidated financial statements present fairly the results of their operations and the source and use of their funds for the year ended December 31, 1968, in accordance with the accounting principles applied on a basis consistent with that of the preceding year.

HAMILTON, January 23, 1969.



# CUT STONE LIMITED DIARIES

AS AT DECEMBER 31, 1968

## LIABILITIES

	December 31	
	1968	1967
CURRENT LIABILITIES		
Bank advances .....	\$ 365,132	—
Accounts payable and accrued liabilities .....	1,394,524	\$ 595,122
Income and other taxes .....	674,107	71,225
	<u>\$ 2,433,763</u>	<u>\$ 666,347</u>
DEFERRED INCOME TAXES .....	\$ 119,400	\$ 89,600
MINORITY INTEREST IN NET ASSETS OF SUBSIDIARY COMPANY .....	\$ 547,196	—
SHAREHOLDERS' EQUITY		
CAPITAL STOCK		
Authorized		
5,000 6% cumulative redeemable (at \$105) sinking fund shares at a par value of \$100 each.		
200,000 Common shares without nominal or par value.		
Issued		
190,00 Common shares .....	\$ 95,000	\$ 95,000
EXCESS OF APPRAISED VALUE OF FIXED ASSETS OVER DEPRECIATED COST .....	—	2,205,265
REALIZED APPRAISAL SURPLUS .....	—	1,016,081
RETAINED EARNINGS .....	8,031,594	4,031,488
	<u>\$ 8,126,594</u>	<u>\$ 7,347,834</u>
	<u>\$11,226,953</u>	<u>\$ 8,103,781</u>

## THE SHAREHOLDERS

& Cut Stone Limited and Subsidiaries as at December 31, 1968, and  
is for the year then ended. Our examination included a general review  
er supporting evidence as we considered necessary in the circumstances.

the financial position of the companies as at December 31, 1968, and  
e year then ended, in accordance with generally accepted accounting

McDONALD, CURRIE & CO.  
CHARTERED ACCOUNTANTS.

# CONSOLIDATED STATEMENT OF SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 1968

	December 31	
	1968	1967
<u>EXCESS OF APPRAISED VALUE OF FIXED ASSETS</u> <u>OVER DEPRECIATED COST</u>		
Balance—Beginning of year .....	\$ 2,205,265	\$ 2,205,265
Transferred to Retained Earnings .....	2,205,265	—
Balance—End of year .....	—	\$ 2,205,265
<u>REALIZED APPRAISAL SURPLUS</u>		
Balance—Beginning of year .....	\$ 1,016,081	\$ 1,016,081
Transferred to Retained Earnings .....	1,016,081	—
Balance—End of year .....	—	\$ 1,016,081
<u>RETAINED EARNINGS</u>		
Balance—Beginning of year .....	\$ 4,031,488	\$ 3,844,226
Excess of appraised value of fixed assets over depreciated cost .....	\$ 2,205,265	
Realized appraisal surplus .....	1,016,081	
	3,221,346	—
Balance—Beginning of year (restated) .....	\$ 7,252,834	\$ 3,844,226
Excess of book value of assets purchased over cost .....	\$ 615,387	
Balance of appraisal write-up of assets over cost .....	501,152	
	\$ 114,235	—
Net capital gains on disposal of properties .....	95,567	—
Net profit for the year .....	796,958	542,073
	\$ 8,259,594	\$ 4,386,299
Transfer to accumulated depreciation being amortization of revaluation of fixed assets for the year .....	—	\$ 126,811
Dividends—Common .....	\$ 228,000	228,000
	\$ 228,000	\$ 354,811
Balance—End of year .....	\$ 8,031,594	\$ 4,031,488



# CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1968

	December 31	
	1968	1967
Sales .....	\$14,052,049	\$ 6,297,675
Profit from operations before the following charges .....	\$ 2,014,224	\$ 1,326,928
Depreciation .....	\$ 510,353	\$ 523,599
Depletion .....	21,097	16,903
Directors' fees .....	1,830	8,430
	\$ 533,280	\$ 548,932
Profit from operations .....	\$ 1,480,944	\$ 777,996

## FINANCIAL

Investment income .....	\$ 197,880	\$ 174,072
Gain on sale of investments and fixed assets .....	58,755	31,421
	\$ 256,635	\$ 205,493
Profit before taxes on income and minority shareholders' interest .....	\$ 1,737,579	\$ 983,489
Taxes on income .....	903,657	441,416
	\$ 833,922	\$ 542,073
Minority shareholders' interest .....	36,964	—
Net profit for the year .....	\$ 796,958	\$ 542,073
The following expense is included in the foregoing:		
Remuneration of executive officers .....	\$ 165,602	\$ 123,380



# CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1968

	December 31	
	1968	1967
<hr/>		
SOURCE OF FUNDS		
Net profit for the year .....	\$ 796,958	\$ 542,073
Charges not requiring cash outlay—		
Depreciation and depletion .....	531,450	540,502
Deferred income taxes .....	29,800	8,100
	<hr/>	<hr/>
	\$ 1,358,208	\$ 1,090,675
Excess of book value of assets purchased over cost .....	569,657	—
Repayment of 5% special refundable tax .....	15,510	(12,988)
Proceeds on disposal of fixed assets .....	181,567	44,403
	<hr/>	<hr/>
	\$ 2,124,942	\$ 1,122,090
	<hr/>	<hr/>
USE OF FUNDS		
Payment of dividends .....	\$ 228,000	\$ 228,000
Purchase of fixed assets .....	655,051	674,594
Net additions to scaffold equipment .....	52,565	19,241
Investment in mortgages receivable .....	132,701	—
Cash surrender value of life insurance .....	54,839	—
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	\$ 1,123,156	\$ 921,835
	<hr/>	<hr/>
INCREASE IN WORKING CAPITAL .....	\$ 1,001,786	\$ 200,255
	<hr/>	<hr/>
WORKING CAPITAL—BEGINNING OF YEAR .....	\$ 4,471,696	\$ 4,271,441
Increase in working capital .....	1,001,786	200,255
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WORKING CAPITAL—END OF YEAR .....	\$ 5,473,482	\$ 4,471,696
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# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1968

## 1. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of all subsidiaries, all of which are wholly-owned with the exception of a twenty-five percent interest in the common shares of Vallance, Brown & Co. Limited, a subsidiary acquired during the year. The statement of earnings includes seventy-five percent of the earnings of this subsidiary from April 19, 1968 (date of acquisition).

The 1967 comparative figures do not include the assets, liabilities or results of operations of the subsidiary acquired during the year.

## 2. FIXED ASSETS

These are classified as follows:

	Cost	1968 Accumulated Depletion	1968 Accumulated Depreciation	Net	1967 Net
Land .....	\$ 291,762			\$ 291,762	\$ 175,017
Buildings .....	1,365,531		\$ 461,570	903,961	603,297
Plant and equipment .....	5,726,380		4,642,156	1,084,224	1,297,735
	\$ 7,091,911		\$ 5,103,726	\$ 1,988,185	\$ 1,901,032
Stone quarries .....	1,295,516	\$ 711,225	—	584,291	608,729
	<u>\$ 8,679,189</u>	<u>\$ 711,225</u>	<u>\$ 5,103,726</u>	<u>\$ 2,864,238</u>	<u>\$ 2,684,778</u>

In prior years the assets of the Company and two subsidiaries were recorded in the accounts at appraised values. The difference between these appraised values and actual cost was shown separately in the balance sheet under "Shareholders' Equity" and was amortized on a regular basis by a charge to retained earnings.

During the year these appraisal increases were written off and as a result fixed assets are now recorded at cost less accumulated depreciation and depletion to date.

## 3. PAST SERVICES PENSION PAYMENTS

Unfunded past service costs of pension plans at December 31, 1968, approximate \$74,300. Pension costs are charged to operations as they are paid. The 1969 instalment required is \$17,267.

## 4. CONTINGENT LIABILITIES

The Company is contingently liable as guarantor of loans to employees of a subsidiary aggregating \$221,316.



# **CANADA CRUSHED & CUT STONE LIMITED AND SUBSIDIARIES**

## **HEAD OFFICE**

**HARBOUR ADMINISTRATION BUILDING**

**Hamilton, Ontario**

## **QUARRIES**

**DUNDAS, ONTARIO**

**QUEENSTON QUARRIES DIVISION**

**Niagara Falls, Ontario**

**BUILDING MATERIALS WAREHOUSE and DOCKS**

**Hamilton, Ontario**

## **SUBSIDIARY COMPANIES**

**MILLS STEEL PRODUCTS LIMITED**

**Hamilton, Ontario**

**RITCHIE CUT STONE HOLDINGS LIMITED**

**Hamilton, Ontario**

**VALLANCE, BROWN & CO. LIMITED**

**Hamilton, Ontario**